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May 13, 2019

VIA ELECTRONIC TRANSMISSION

Ms. Lynn Retz
Secretary to Commission
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, KS 66604

Re: In the Matter of the Application of The Empire District Electric Company for Approval of the Commission to Make Certain Changes in its Charges for Electric Service.

Docket Number 19-EPDE-223-RTS

Dear Ms. Retz:

Enclosed please find the *Direct Testimony for Justin Clements* for filing in the above-referenced matter. Please feel free to contact me with any questions or concerns regarding this filing.

Sincerely,

Judy Jenkins Hitchye

JH/sef
Encl.

cc: Attorneys of Record

In the Matter of the Application of The)
Empire District Electric Company for Approval)
of the Commission to Make Certain Changes) Docket No. 19-EPDE-223-RTS
in its Charges for Electric Service)

DIRECT TESTIMONY

OF

JUSTIN W. CLEMENTS

ON BEHALF OF KANSAS GAS SERVICE

A DIVISION OF ONE GAS, INC.

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OF
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A DIVISION OF ONE GAS, INC.

I. Position and Qualifications

Q. Please state your name and Business Address.

A. My name is Justin W. Clements. My business Address is 7421 W. 129th Street, Overland Park, Kansas, 66213.

Q. By whom are you employed and in what capacity?

A. I am employed by Kansas Gas Service ("KGS"), a Division of ONE Gas Inc., as Manager, Rates and Regulatory Analysis.

Q. Please describe your education and professional experience.

A. I have a Bachelor of Arts Degree from the University of Kansas and a Master of Business Administration from Baker University. I have worked for KGS since 2002, joining the Rates and Regulatory Department in 2007 as Rates Analyst to support various Company regulatory efforts. I also serve as liaison to the division of Public Affairs and Consumer Protection of the Kansas Corporation Commission ("KCC" or "Commission") regarding Company tariff and Billing/Payment Standards compliance.

Q. Have you testified before the Kansas Corporation Commission?

A. Yes, I filed testimony in the Company's last three general rate cases: Docket Nos. 12-KGSG-835-RTS ("835 Docket"), 16-KGSG-491-RTS ("491 Docket") and 18-KGSG-560-RTS ("560 Docket").

1 **II. PURPOSE OF TESTIMONY**

2 **Q. What is the purpose of your testimony?**

3 A. In this Docket, The Empire District Electric Company (“Empire”) requests approval of their
4 Revenue Stabilization Rider (“RSR”) which is a form of revenue decoupling designed to alleviate
5 recovery misalignment between fixed and variable costs in the utility’s rate design. The purpose
6 of my testimony is to recommend Commission approval of this rider while describing past KGS
7 and KCC Staff positions in favor of similarly proposed decoupling mechanisms.

8 **Q. Why does Kansas Gas Service support Empire’s Revenue Stabilization Rider proposal?**

9 A. As Empire Witness Timothy S. Lyons indicates throughout his Direct Testimony, Empire customer
10 electric usage continues a steady decline due, in part, to increased consumer-side energy
11 efficiency efforts including the installation of more efficient appliances. This trend represents an
12 increased level of risk for utilities. Because a substantial portion of fixed costs are recovered
13 through volumetric rates, the decline in sales volumes diminishes the utility’s ability to recover
14 costs as authorized by the Commission. Empire’s situation is similar to what KGS and other natural
15 gas utilities have been experiencing for more than 20 years¹. KGS believes decoupling mechanisms
16 such as the RSR provide a reasonable solution to the issue of declining sales volumes, helping to
17 alleviate this increasing risk.

18 KGS also agrees with Lyons’ comments in his Direct Testimony that this type of revenue
19 decoupling mechanism promotes bill stability for customers². Because Empire’s RSR is designed
20 as a symmetrical mechanism with either positive or negative adjustments to rates, customer bills
21 remain consistent from month to month.

¹ U.S. Energy Information Administration (“EIA”), Residential Consumption of Natural Gas (Summary)
<https://www.eia.gov/dnav/ng/hist/n3010us2m.htm> and Number of Natural Gas Residential
Customers https://www.eia.gov/dnav/ng/ng_cons_num_a_EPG0_VN3_Count_a.htm

² Lyons Direct Testimony p.43, l.19

1 **III. SUMMARY OF THE REVENUE STABILIZATION RIDER PROPOSAL**

2 **Q. Please describe Empire's RSR proposal.**

3 A. The proposed Revenue Stabilization Rider allows Empire to calculate monthly revenue under- or
4 over-collections versus authorized revenues per customer class and apply a monthly adjustment
5 to volumetric rates. These adjustments result in more stable revenue and customer bills as credits
6 or surcharges are applied to the kWh rate each month.

7 **Q. What do you see as the benefits of the RSR?**

8 A. Not only will this monthly volumetric charge adjustment mitigate challenges to the utility's
9 opportunity to earn its authorized return due to changes in consumption, the RSR also
10 appropriately lessens the impact of declining customer counts. Additionally, Empire's decoupling
11 methodology negates effects to cost recovery due to variations of weather-dependent
12 consumption. Unlike natural gas utilities in Kansas, Empire does not currently have a weather
13 normalization adjustment mechanism in place to counter the variability in revenue related to
14 weather.

15 **Q. Is revenue decoupling a dramatic departure from traditional rate making?**

16 A. No, it is not. As Mr. Lyons indicated in his testimony, electric and natural gas utilities in many
17 other states have some sort of decoupling mechanism to address over-and under-recovery of
18 costs³. Empire's RSR proposal allows for positive or negative adjustments to the monthly kWh
19 rate as a way to balance the fixed vs. volumetric recovery misalignment inherent in traditional
20 rate making. Empire currently is authorized to recover costs associated with its Energy Efficiency
21 programs, but that recovery does not include mitigating the loss of revenue associated with
22 decreased consumption that results from those programs.

23 **Q. Please comment on the proposed reporting requirements.**

³ Lyons Direct Testimony, p.47 l.3

1 A. KGS supports Empire's reporting proposal which would require the utility to provide KCC Staff
2 with Monthly Bill Stabilization factors by rate class at least 10 days prior to billing. KGS believes
3 the frequency and timing of these monthly reports is not overly burdensome to either the utility
4 or KCC Staff for timely review and audit of the factors prior to customer billing.

5 **Q. Has KCC Staff supported forms of decoupling or mechanisms for revenue stability?**

6 A. Yes, it has. KGS has proposed various forms of revenue decoupling to ease the mismatch between
7 recovery of fixed and variable costs in the design of rates in several filings made in the recent
8 past⁴. Although these proposals were not addressed in the settlements reached in these filings,
9 KCC Staff acknowledged the need for revenue decoupling in those cases.

10 **Q. Please summarize your testimony.**

11 A. Kansas Gas Service has proposed various forms of revenue decoupling in the past designed to
12 address very similar issues faced by Empire. Particularly, KGS proposed a Revenue Normalization
13 Adjustment ("RNA") as recently as in Docket No. 18-KGSG-560-RTS filed in 2018 and a similar
14 proposal in Docket No. 12-KGSG-835-RTS. In both cases, Staff supported modified versions of the
15 RNA mechanism testifying that the Commission has previously acknowledged the need to address
16 issues caused by the mismatch between decreased consumer usage and volumetric rates⁵. KGS
17 supports Empire's RSR decoupling proposal as one means of addressing the issues which have
18 been acknowledged by Staff in the KGS rate cases.

19 **Q. Does this conclude your testimony?**

20 A. Yes.

⁴ Docket Numbers 12-KGSG-835-RTS, 18-KGSG-560-RTS

⁵ Direct Testimony of Robert H. Glass, Docket No. 12-KGSG-835-RTS, pages 4-5; Direct Testimony of Robert H. Glass, Docket No. 18-KGSG-560-RTS, page 4

VERIFICATION

STATE OF KANSAS)
) ss.
COUNTY OF JOHNSON)

Justin W. Clements, being duly sworn upon his oath, deposes and states that he is Manager, Rates and Regulatory Analysis for Kansas Gas Service, a division of ONE Gas, Inc.; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information, and belief.


Justin W. Clements

Subscribed and sworn to before me this 9th day of May 2019.


NOTARY PUBLIC

My appointment Expires:

06/05/2022



CERTIFICATE OF SERVICE

I, Judy Jenkins Hitchye, hereby certify that a copy of the above and foregoing *Direct Testimony for Crystal Turner* was forwarded this 13th day of May 2019, addressed to:

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